

To the Members of the California State Assembly:

I am returning Assembly Bill 692 without my signature.

This bill is unnecessary. A single instance in which a controversial federal rule was later revoked by a federal statute is not a reason to give broad, unchecked authority to the Franchise Tax Board for choosing whether or not to conform to future federal tax guidance.

To specifically address the controversial federal rule, I am signing Assembly Bill 11. This measure will bolster the regulatory action taken by the Franchise Tax Board on this specific federal issue, while also protecting the state's General Fund against potential legal challenges.

For this reason, I am unable to sign this bill.

Sincerely,

Arnold Schwarzenegger